

Message Text

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FSE
EXIMBANK

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-----140615Z 061947 /23
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FM SECSTATE WASHDC
TO AMEMBASSY NAIROBI

UNCLAS STATE 083105

E.O. 11652: N/A

TAGS: EAIR, KE

SUBJECT: EAST AFRICAN AIRWAYS

1. AS AGREED DURING GABA/MALLOY VISIT PLEASE PREPARE AND
DELIVER FOLLOWING LETTER TO MIN/FIN ON EXIM'S BEHALF.

QUOTE
APRIL 7, 1977
THE REPUBLIC OF KENYA
MINISTRY OF FINANCE AND PLANNING
NAIROBI, KENYA
ATTENTION: THE HONORABLE MR. MWAI KIBAKI
MINISTER FOR FINANCE AND PLANNING
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RE: EXIMBANK CREDIT NO. 2899
EAST AFRICAN AIRWAYS CORPORATION
DEAR SIR:
THE PURPOSE OF THIS LETTER IS TO FORMALIZE DISCUSSIONS
WHICH TOOK PLACE IN NAIROBI WITH OFFICIALS OF THE
MINISTRY FOR FINANCE AND PLANNING DURING THE FINAL WEEKS
OF MARCH OF THIS YEAR. THESE DISCUSSIONS OCCURRED ON

SEVERAL DATES AND INVOLVED MR. LEONARD KIBINGE, THE PERMANENT SECRETARY, ON ONE OCCASION AND MR. J. GACHUI, UNDER-SECRETARY, ON TWO OCCASIONS. MR. CHARLES GABA AND MR. PATRICK MALLOY, ATTENDED THE MEETINGS FOR THE EXPORT IMPORT BANK OF THE UNITED STATES (EXIMBANK), ALONG WITH MRS. SHIRLEY PANIZZA OF THE UNITED STATES EMBASSY.

THE DISCUSSIONS CONCERNED LOANS MADE TO THE EAST AFRICAN AIRWAYS CORPORATION BY EXIMBANK AND MCDONNELL DOUGLAS CORPORATION (MDC) TO FINANCE THE PURCHASE OF THREE DC 9 JET AIRCRAFT. THESE LOANS WERE MADE PURSUANT TO AN AGREEMENT DATED JANUARY 8, 1971 (A COPY OF WHICH IS ENCLOSED HERewith ALONG WITH THE PROMISSORY NOTE) AND ALL PAYMENTS ARE CURRENT TO DATE. THE LOANS HAVE A REMAINING OUTSTANDING PRINCIPAL BALANCE OF DOLS. 6,061,887.18, 90 PERCENT OF WHICH IS PAYABLE TO EXIMBANK AND 10 PERCENT OF WHICH IS PAYABLE TO MDC. SUCH PRINCIPAL BALANCES ARE PAYABLE THROUGH EXIMBANK IN EIGHT SEMI-ANNUAL INSTALLMENTS THE NEXT SEVEN OF WHICH ARE EACH IN THE AMOUNT OF DOLS. 787,500.00 AND THE EIGHTH OF WHICH IS IN THE AMOUNT OF DOLS. 549,387.18. THE INSTALLMENTS ARE DUE ON MAY 15 AND NOVEMBER 15 OF EACH YEAR WITH THE NEXT INSTALLMENT DUE ON MAY 15, 1977. THE LOANS BEAR INTEREST AT THE RATE OF 6 PERCENT PER ANNUM ON THE OUTSTANDING BALANCES PAYABLE SEMI-ANNUALLY ON EACH PRINCIPAL PAYMENT DATE.

PURSUANT TO A SEPARATE GUARANTY AGREEMENT DATED JANUARY 8, UNCLASSIFIED

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1971, THE REPAYMENT OF PRINCIPAL AND INTEREST ON THE ABOVE DESCRIBED LOANS WERE SEVERALLY GUARANTEED ONE THIRD EACH BY THE REPUBLIC OF KENYA, THE UNITED REPUBLIC OF TANZANIA AND THE REPUBLIC OF UGANDA. A COPY OF THAT AGREEMENT IS ENCLOSED HERewith.

DUE TO THE UNFORTUNATE FACT THAT EAST AFRICAN AIRWAYS HAS CEASED OPERATIONS, WE FIND OURSELVES WITH NO RECOURSE BUT TO TURN FOR PAYMENT TO THE GUARANTORS OF OUR LOANS. THEREFORE, WE, FOR OURSELVES AND ON BEHALF OF MDC, HEREBY REQUEST THAT THE REPUBLIC OF KENYA MAKE PAYMENT ON BEHALF OF EAST AFRICAN AIRWAYS OF ONE THIRD OF THE REMAINING INSTALLMENTS OF PRINCIPAL AND INTEREST AS AND WHEN SUCH INSTALLMENTS FALL DUE IN ACCORDANCE WITH THE TERMS OF THE ABOVE DESCRIBED AGREEMENTS.

TO FACILITATE THE BILLING AND PAYMENTS PROCEDURES TO BE FOLLOWED OVER THE REMAINING LIVES OF THESE LOANS WE ALSO REQUEST THAT WE BE FURNISHED WITH THE NAME AND

ADDRESS OF THE PROPER OFFICE WITHIN THE MINISTRY FOR
FINANCE AND PLANNING, TO WHICH OUR BILLINGS NOTICES
SHOULD BE DIRECTED. IN THE INTERIM TO ENABLE YOU TO
MEET THE PAYMENTS DUE ON MAY 15, 1977, THE AMOUNT DUE
FROM YOU ON THAT DATE WILL BE DOLS. 323,643.21 WHICH IS
COMPRISED OF PRINCIPAL OF DOLS. 262,500.00, INTEREST OF
DOLS. 60,452.79 AND LATE INTEREST OF DOLS. 690.42
(RESULTING FROM EAST AFRICAN AIRWAYS LATE PAYMENT OF
THE NOVEMBER 15, 1976 INSTALLMENT WHICH WAS NOT PAID
UNTIL DECEMBER 1, 1976). THIS AMOUNT IS ONE THIRD OF
THE TOTAL AMOUNT DUE FROM EAST AFRICAN AIRWAYS ON THAT
DATE.

WE REGRET THE NECESSITY OF HAVING TO TURN TO YOUR
GOVERNMENT FOR PAYMENT IN THIS CASE AND WISH TO ASSURE
YOU THAT WE STAND READY TO PROVIDE YOU WITH ANY
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ADDITIONAL INFORMATION YOU MAY REQUIRE.

AS A FINAL POINT YOU MAY BE INTERESTED TO KNOW THAT WE
ARE MAKING SIMILAR REQUESTS FOR PAYMENT FROM THE
GOVERNMENTS OF TANZANIA AND UGANDA.

VERY TRULY YOURS,
DAVID O. BEIM
EXECUTIVE VICE PRESIDENT
UNQUOTE

2. ORIGINAL SIGNED LETTER IS BEING POUCHED TO YOU ALONG
WITH ATTACHMENTS MENTIONED IN LETTER. BELIEVE
ATTACHMENTS ARE IN BOTH EMBASSY'S AND MIN/FIN'S
POSSESSION NOW IF THEY ARE REQUIRED BEFORE ARRIVAL OF
POUCHED COPIES.
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To: NAIROBI
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